

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6816

BILL NUMBER: HB 2115

DATE PREPARED: Mar 6, 2001

BILL AMENDED: Mar 5, 2001

SUBJECT: Phone System Charges in Prison.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill prohibits the Department of Correction (DOC), county jails, community corrections facilities, and juvenile detention facilities and centers from profiting financially from providing telephone service to confined offenders. It provides that the amount billed for a collect call placed by a confined offender must reflect all discounts and commissions received by the Department of Correction, county jail, community correction facility, or juvenile detention facility or center. It provides that if the amount billed does not reflect all discounts and commissions, the Department of Correction, county jail, community corrections facility, juvenile detention facility, or juvenile detention center shall: (1) refund the amount of the discount or commission; or (2) enter into a new contract under which it may not receive any discount or commission. It establishes a refund procedure if the Department of Correction, county jail, community corrections facility, juvenile detention facility, or juvenile detention center chooses to refund the discounts and commissions. (The introduced version of this bill was prepared by the Corrections Matters Evaluation Committee.)

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) Currently, the Department of Administration contracts with several telephone companies to provide telephone service to offenders in DOC facilities. Under this arrangement, offenders must make collect telephone calls to persons outside of prison that they wish to call. Depending on the arrangement with the telephone carrier, the state receives a commission of either the gross or net revenue that is collected by using these telephones. This bill would no longer permit the state to receive a commission as part of the arrangement for these contracts. The revenue loss from this bill as amended could be between \$6.5 M and \$6.8 M based on reports for FY 1999 and FY 2000.

Background: The Department of Administration contracts with at least three major providers of telephone services for offenders in DOC facilities. GTE and Ameritech provide local calls, while AT&T provides long

distance calls. Commissions received from GTE and Ameritech are deposited in the Offender Recreation Fund which is used in DOC facilities, while the commissions received from AT&T are deposited in the Pay Phone Fund.

Revenues from the Pay Phone Fund have been used to finance projects that will improve the telecommunications and computer capabilities of the state government.

The following shows the revenue deposited into these two funds from these commissions in FY 1999 and FY 2000:

| <u>FY</u> | <u>Pay Phone Fund</u> | <u>Offender Recreation Fund</u> | <u>Total Revenue</u> |
|-----------|-----------------------|---------------------------------|----------------------|
| 1999 | \$5,809,008 | \$693,485 | \$6,502,493 |
| 2000 | \$5,978,222 | \$850,157 | \$6,828,379 |

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) County sheriffs contract with telephone companies to provide telephone services to inmates in their jails. Under these arrangements, the sheriffs receive a percentage of either gross or net revenue that ranges between 22% and 44% for gross revenue and generally 50% for net revenue. This bill would eliminate this commission.

In the case of 62 counties where information was available, the commissions that these sheriffs receive from the contracts range from \$8,700 to \$2.3 M on an annualized basis. The total reported commissions estimated based on either annualized amounts for CY 2000 or from reported commissions from CY 1998 or 1999 for these 62 counties was \$5.7 M.

The proceeds from these commissions are used in some counties to purchase law enforcement equipment, including weapons and squad cars. If the rates that are charged must be reduced to match the costs incurred in making these calls, then the amount that the sheriffs receive from these commissions would likely be significantly reduced.

Community corrections programs could incur similar revenue losses if program administrators have the same arrangements as are made with telephone companies.

State Agencies Affected: Department of Administration.

Local Agencies Affected: County sheriffs, community corrections programs.

Information Sources: Department of Administration, County Sheriffs.